

MINUTES OF MEETING

RHODE ISLAND AIRPORT CORPORATION

FINANCE AND AUDIT COMMITTEE

WEDNESDAY, JUNE 15, 2016, AT 3:00 P.M.

IN THE MARY BRENNAN BOARD ROOM,

T. F. GREEN AIRPORT, 2000 POST ROAD

WARWICK, RHODE ISLAND

The meeting of the Rhode Island Airport Corporation (“Corporation”) Finance and Audit Committee was called to order by Chair of the Committee, Deborah M. Thomas, at 4:00 p.m., in the Mary Brennan Board Room at T. F. Green Airport, 2000 Post Road, Warwick, Rhode Island, in accordance with the notice duly posted pursuant to the Open Meetings Law.

COMMITTEE MEMBERS PRESENT: Deborah M. Thomas, Jon Savage and Christopher Little.

COMMITTEE MEMBERS ABSENT: None.

BOARD MEMBERS PRESENT: None.

ALSO PRESENT: Peter A. Frazier, Interim President and CEO; and those individuals listed on the attendance sheet attached hereto.

1. Approval of the Minutes:

A motion was made by Mr. Savage and seconded by Ms. Thomas to approve the Minutes of the Finance and Audit Committee Meeting of March 16, 2016. The motion was passed unanimously.

2. Report from the Chief Financial Officer:

Ms. Williams provided an update on the 2016 D/E Bonds and stated the Commerce Corporation approved the bond issue on May 23rd and the Preliminary Official Statement (POS) for the 2016 Series D/E Bonds was posted and printed last week. It was noted the bond is scheduled for pricing on June 16th and the closing is scheduled for July 1st.

Ms. Williams provided a summary of the operating budget comparison of Fiscal Year 2017 Budget to Fiscal Year 2016 Projections and Fiscal Year 2016 Budget. Ms. Williams noted that budgeted Fiscal Year 2017 revenue is favorable over Fiscal Year 2016 projected revenues and over Fiscal Year 2016 budgeted revenues primarily due to increases in airline revenues as a result of enplanement trends and on-airport parking revenue driven primarily by increased enplanement trends and the assumed acquisition of property used by an off-airport parking operator. Ms. Williams stated that she was pleased to report there have been increases in enplanements for seven months straight and enplanements for Fiscal Year 2017 are anticipated to increase 1.5% over Fiscal Year 2016

projections based on conservative assumptions. It was also noted that actual enplanements were better than anticipated in the Fiscal Year 2016 Budget.

Ms. Williams provided an overview of personnel expenses and noted the higher expenses in Fiscal Year 2017 budget as compared to Fiscal Year 2016 projections and noted the savings were due to vacancies, timing of filling open positions and lower rates negotiated for health insurance premiums. It was noted increases in Fiscal Year 2017 are due primarily to scheduled increases in payroll costs.

Ms. Williams provided an overview of Fiscal Year 2017 budgeted operating expenses and noted there is a 1.5% increase as compared to the Fiscal Year 2016 Budget due primarily to air service development initiatives which include increases to advertising and travel expenses. Ms. Williams noted there are also increased costs due to replenishment of supplies for the Glycol Facility that is now in its second full year of operation and increased expenses for recruitment for the President and CEO position. Ms. Williams noted budgeted expenses also reflect utility savings as a result of the LED capital projects. Ms. Thomas stated it is a positive trend that even with additional amortization and depreciation, there is more operating income than depreciation.

(a) Consideration of and Action Upon Approval of the Fiscal Year 2017 Budget.

Ms. Williams gave an overview on the operating budget and highlighted seven months of increased enplanements in FY 2016, new airline service and increased future seat capacity. Ms. Williams stated revenues are up \$2.1 Million over prior year with the majority of the increase due to parking and airline revenue. Ms. Williams noted the Cost Per Enplanement (CPE) remained flat and is expected to close at \$13.30 for Fiscal Year 2016 Actual and Fiscal Year 2017 Budget. Ms. Williams noted the airlines are very pleased with the stability of the CPE. Ms. Williams reported anticipated parking revenue increases are being driven primarily by increased enplanements and the assumption of the purchase of property used by an off-airport parking operator. Ms. Williams stated increased hangar rental revenue was driven by additional hangar rentals. Ms. Williams stated the 1.6% increase in personnel expenses is driven by scheduled increases in pay rates and estimated health insurance costs.

Ms. Williams gave an overview of Operating and Maintenance expenses and noted there is a 1.5% increase driven primarily by increases in advertising related to air service development, increased travel expenses to meet with air carriers and expenses for subscriptions which provide access to airline industry data. Ms. Williams noted there is also a budgeted one-time increase related to expenses for hosting the upcoming JumpStart Conference in 2017. It was noted this conference is being planned collaboratively with the

Providence Conventions and Visitors Bureau and attendees to this conference will include airline and airport representatives. There was further discussion on the conference and Ms. Thomas stated this is a fantastic opportunity to showcase T. F. Green Airport and Providence. Ms. Williams noted additional increases in expenses include recruitment costs for the President and CEO position. Ms. Williams noted legal expenses increased in Fiscal Year 2016 and were used to estimate the costs for the Fiscal Year 2017 Budget. It was noted that an in house attorney has been hired and some legal items will be handled internally. Ms. Williams noted contract maintenance is down due to a lower negotiated rate for janitorial services.

Ms. Williams reported general aviation airports net operating income is coming in well in Fiscal Year 2016 and improvement is expected from the Fiscal Year 2016 Budget to the Fiscal Year 2017 Budget.

Ms. Williams reported there is an increase in amortization and depreciation due primarily to a full year of depreciation of the Runway 16/34 Safety Area Improvements. Ms. Williams noted there will be a significant increase in amortization and depreciation in Fiscal Year 2018 due to the completion of the Runway 5/23 project.

Ms. Williams gave an overview of other income and expenses and noted there is an increase in operating income from the InterLink that was primarily driven by increased enplanements. It was noted expenses have remained flat and there was no increase in the

Customer Facility Charge.

Mr. Williams reported a new line item in the Fiscal Year 2017 InterLink Budget for the estimated cost of issuance for the potential refunding of the Series 2006 D/E Bonds.

Ms. Williams gave an overview of debt service and outlined the anticipated fees and debt service.

Ms. Williams gave an overview of the Fiscal Year 2017 Operating Capital Budget and noted that due to downturns in recent years several items were put on hold for replacement or upgrades and the Fiscal Year 2017 budget includes thirty-three operating capital items. Ms. Williams discussed several of the larger items in the Fiscal Year 2017 Capital Improvement Program Budget and noted the bulk of the expenses are related to the Runway 5/23 Expansion.

Ms. Thomas stated the budget looked terrific.

A motion was made by Mr. Savage and seconded by Ms. Thomas to approve the FY 2017 Budget in substantially the form presented, subject to Board approval. The motion was passed unanimously.

(b) Consideration of and Action Upon Approval to Bind Insurance Policies that are Effective on June 30, 2016.

Mr. Little recused himself and stepped away from the table.

Mr. Goulart gave an overview of the policies and stated he is pleased to report premiums are down year over year and a five year renewal for the Premises Pollution Policy was locked in with \$50,000 savings. It was noted that all other policy renewals were flat or down slightly. Mr. Goulart thanked Ms. Nancy Rogers of Willis for her extensive review and alertness to policy changes. Ms. Thomas stated the results are good and commended the efforts of staff and partners in locking in these rates.

A motion was made by Ms. Thomas and seconded by Mr. Savage to approve the following resolution:

WHEREAS, the Rhode Island Airport Corporation (RIAC) is responsible for the maintenance and operation of airport facilities at the six Rhode Island airports; and

WHEREAS, RIAC carries General Liability Insurance, Aircraft Hull and Liability Insurance, Property Insurance, Automobile Insurance, Inland Marine (Mobile Equipment) Insurance, Workers' Compensation Insurance, Pollution Insurance, Storage Tank Insurance, Crime Insurance, Fiduciary Insurance, Cyber Insurance, Public Entity (D&O) Insurance policies and Foreign Liability Insurance; and

WHEREAS, all policies except for Crime, Fiduciary, Public Entity

(D&O), and Storage Tank have renewal dates of June 30, 2016; and

WHEREAS, RIAC utilizes the brokerage services of Willis Towers Watson (Willis) to competitively market its Insurance Program; and

WHEREAS, after an extensive renewal process, Willis and RIAC management recommend that the following policies be bound effective June 30, 2016; and

(1) – Policy term is five years. The premium shown represent the annualized premium.

WHEREAS, RIAC's proposed Fiscal Year 2017 Operations and Maintenance budget includes approximately \$1,170,000 for the policies that renew on June 30, 2016.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

That the Committee authorizes the Interim President and CEO, or his designee, to bind the insurance policies that are effective June 30, 2016 as recommended by Willis Towers Watson and RIAC management, subject to Board approval.

The motion was passed by two affirmative votes, with one Committee

Member recusing himself from voting. The vote was as follows:

YEAS: Jon Savage

Deborah M. Thomas

NAYS: None

RECUSAL: Christopher Little

5. Future Meetings:

The next Finance and Audit Committee will be held on Wednesday, September 29, 2016, at 3:00 p.m., in the Mary Brennan Board Room, T. F. Green Airport, Warwick, Rhode Island.

6. Adjournment:

Mr. Savage moved to adjourn at approximately 3:35 p.m. The motion was seconded by Ms. Thomas.

Respectfully submitted,

Deborah M. Thomas, Chair

**Finance and Audit Committee of
the Rhode Island Airport Corporation**

ATTENDANCE SHEET

RHODE ISLAND AIRPORT CORPORATION

FINANCE AND AUDIT COMMITTEE

JUNE 15, 2016

Liberty Luciano RIAC

Doug Dansereau RIAC

Sherri Ann Penta RIAC

Jeff Goulart RIAC

Nicole Williams RIAC

Nancy Rogers Willis of Massachusetts

Robert Goff New England Parking